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GOVERNING COUNCIL

Thirty-eighth session

SUMMARY RECORD OF THE 30th MEETING

Held at Headquarters, New York,  
on Friday, 14 June 1991, at 3 p.m.

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| <u>President:</u> | Mr. PIRIZ-BALLON               | (Uruguay) |
| later:            | Mr. KRAMER<br>(Vice-President) | (Canada)  |

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The meeting was called to order at 3.15 p.m.

PROGRAMME IMPLEMENTATION (continued)

(c) NATIONAL EXECUTION (continued) (DP/1991/23)

1. Mr. OUALI (Algeria) asked for more information on the role envisaged for UNDP, and the role that UNDP intended to give to the specialized agencies, in the area of national execution. His country was surprised that the agencies did not seem to have been sufficiently involved in an evaluation of experience in that area and in the preparation of a possible new modality. The opinions of Governments should also be taken into account.
2. The new modality should not necessarily mean an increased role for OPS. UNDP's role must remain that of a central agency charged with financing and coordinating development assistance. During a transitional period, OPS could play an active role in providing administrative and operational services within the framework of support cost successor arrangements.
3. In order for the national execution concept to be implemented in the field, countries should be helped to promote or strengthen their national capacities in the area of programme and project management. The transfer of skills carried out by UNDP through its programme of assistance should also cover that area. Procedures governing the formulation, implementation and evaluation of programmes and projects, as well as administrative and financial procedures, should be simplified as part of the decentralization policy envisaged by UNDP.
4. Algeria drew attention to the rather delicate position of certain countries whose cooperation programmes were quite modest. He wondered what the point would be of creating an entire institutional infrastructure and mobilizing significant human resources for a meagre portfolio of activities.
5. Ms. JACOBSEN (Observer for Norway), speaking on behalf of the Nordic countries, said that national execution meant that Governments assumed responsibility for the ownership, direction and management of programmes and projects. Greater use of that modality would allow Governments to take sole responsibility for both the coordination and the optimum use of external assistance.
6. For national execution to fulfil its objectives, there must be a genuine transfer of responsibility for programme and project execution to recipient countries. The Nordic countries were somewhat sceptical about the Administrator's proposal in 1990 to distinguish between execution and implementation in defining national execution. That might lead to the introduction of national execution as a purely theoretical concept, while allowing for the continuation of traditional project handling and control both by United Nations agencies and by UNDP field offices. To overcome such a

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(Ms. Jacobsen, Observer, Norway)

situation, recipient Governments must play a more substantial role at an early stage of programme and project development.

7. UNDP field offices should play a major role in helping Governments develop and increase their capacity for programme and project execution, but should refrain from being significantly involved in actual project implementation. It was surprising that it had taken so many years since the first introduction of nationally executed projects to propose a review of governmental procedures and systems in order to establish a set of consistent procedures in each country. In the past, there had been an unfortunate distinction between agency-executed projects and nationally executed ones; there was scope for greater varieties of cooperation between Governments and agencies. More emphasis on a real transfer of skills and capacity-building would be needed.

8. The Nordic countries would like more information on the Administrator's proposal to establish an inter-agency facility for the creation and enhancement of national capacities for national execution.

9. Mr. VAN UFFORD (Netherlands) said that UNDP support to recipient Governments was essential in achieving national execution, but that strengthening national capacities to execute, develop and monitor UNDP programmes and projects was not just an external process. It was not sufficient to receive training and additional financial inputs; the experience acquired by doing the job oneself was equally indispensable. That inevitably meant accepting a certain rate of failure; without delegating some responsibility, goals would never be met.

10. His country had always favoured the modality of national execution, so long as financial accountability was guaranteed. Nationally executed programmes and projects would have to be thoroughly evaluated, which placed high demands on the system. The future role of both UNDP and the agencies lay above all in supporting the process of programme development. They should provide administrative assistance and project execution only when that was required by the national authorities. The assistance most needed was at a higher level of expertise. UNDP should focus more on national capacity-building in order to enable recipient countries to develop and execute programmes and projects themselves. It was important to involve recipient countries at all stages of the programme cycle.

11. Ms. LONGINOTTI (Italy) said that making too sharp a distinction between execution and implementation, together with giving an increased role to UNDP field offices and OPS, could dangerously alter the concept of national execution. It was important to increase the percentage of nationally executed projects in reality and not just numerically.

12. Her country strongly supported the concept of substantive national execution through prior strengthening of national capacities and a gradual

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(Ms. Longinotti, Italy)

case-by-case approach. It was up to each developing country to decide when and to what extent it wished to use national execution, bearing in mind what that meant in terms of execution and management responsibilities, accountability requirements and technical and administrative support from United Nations agencies and OPS.

13. Mr. MAHBUB (Observer for Bangladesh) said that since its introduction in 1976, the concept of national execution had remained just that - a concept - with only a small number of countries accounting for the bulk of nationally executed projects. National execution would not undermine the role of the specialized agencies, it would help develop a new relationship with them, based on a changed situation. In his country, national execution was in its infancy, but careful moves within a specific time-frame for bringing more and more technical assistance projects under national execution had been initiated.

14. The employment of local experts could help to contain the brain drain, provided that technical assistance stimulated demand for local expertise and simultaneously encouraged an adequate supply by offering compensation comparable with international standards. While stressing the use of local experts, his country also proposed ensuring the quality and competence of expatriate experts, about which there were increasing concerns.

15. In order to expedite the process of national execution, Bangladesh proposed that the resident representatives should have the authority to decide on executing arrangements for nationally executed projects. UNDP should examine the possibility of simplifying its reporting requirements and financial rules, and Bangladesh welcomed the use of private audit firms in that regard.

16. Mr. MUNGUAMBE (Mozambique) said that the modality of national execution, which involved building and assisting the management capacities of recipient Governments so that they could implement their own programmes and projects, was of paramount importance in ensuring the effectiveness of technical cooperation at the field level. The role of United Nations agencies in support of that process could not be over-emphasized.

17. Since local capacities and circumstances varied from country to country, technical cooperation arrangements should be flexible and should use inputs from national institutions in combination with external support. Cooperation should be an evolutionary process through which the United Nations development system helped recipient countries assume full responsibility and direct management of all phases of programme and project implementation.

18. He supported the Administrator's proposal concerning central government programme support units to provide administrative and procurement services to individual projects. Other forms of management assistance to Governments should also be emphasized. The UNDP workshops on such topics as financial reporting and training in national execution had proved useful and should be

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(Mr. Munquambe, Mozambique)

continued. Lastly, he reiterated his delegation's proposal that the Administrator should include a chapter in his annual report for the following year on ways and means of accelerating national execution, drawing upon the past experience of UNDP in various countries.

19. Mr. REYES (Philippines) said that national execution as the ultimate modality for UNDP-assisted projects was not at issue. Governments must take overall responsibility for managing the preparation, appraisal and implementation of all foreign-assisted projects, irrespective of whether assistance was technical or capital in nature, and UNDP-assisted projects were no exception. What was at issue was why, in the case of UNDP-assisted projects, it had taken so long for that modality of execution or management to be the rule.

20. The predominant role of the specialized agencies must shift from administrative and operational support to technical services support, at both the programme and the project level. Technical services support facility (TSS-1 and 2) financial resources should be tapped for that purpose. Authority should be delegated by the Administrator to the field in dealing with proposals from Governments. At the project implementation stage, there was no reason why agencies should not continue to be contracted to implement certain components of a project and to provide the necessary administrative and operational support.

21. For the five major agencies, the Indicative Planning Figure (IPF) sub-line for administrative and operational services would be an appropriate source of funding. For all other agencies, the usual 13 per cent support cost reimbursement would still be available. As for technical monitoring and evaluation, agencies could also participate in cases where the Government or agents external to the United Nations, including national institutions, were implementing the project. For the five major agencies, TSS-2 would be one source of funding. For the other agencies, sectoral support programmes would be available.

22. One impediment to national execution was Governments' lack of capacity to execute projects. Accordingly, the Administrator's proposal for helping recipient countries enhance their capacities for national execution could pave the way for national execution to become the ultimate modality for UNDP-assisted projects. The Philippines strongly endorsed that proposal.

23. Mr. CABEIRO (Cuba) said that Cuba set great store by national execution. For the fifth cycle, it was planning to use that modality for at least half the projects under the country programme. The increase in national execution would not, however, rule out the role of specialized agencies.

24. Document DP/1991/23 was interesting, but his delegation thought it was premature to change the method of work from a project-centred to a programme-centred approach. Governments needed some latitude in deciding which modality would benefit them most.

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25. Mr. ZHANG Kuanghui (China) said that in the 16 years since the inception of national execution, great strides had been made thanks to the efforts of recipient Governments and UNDP. All parties had deepened their understanding of national execution, which had been further promoted by the adoption of General Assembly resolution 44/211. The question now was how to enact policies which would extend the practice of national execution. China had always taken a positive attitude towards national execution; it had adopted effective measures to promote it and had experimented sincerely with it. A large part of UNDP's projects in China were now nationally executed.
26. With respect to the tripartite partnership, China believed that the ultimate goal of multilateral cooperation was to promote social development. The word "partnership" was important: Governments, specialized agencies and UNDP were in fact in a partnership, not a contractual relationship, and should be seeking long-term mutual support. In presenting its third country programme to the Governing Council, China had pointed out that the tripartite partnership remained the cornerstone of cooperation; while strengthening national execution, China would continue its efforts to make that partnership effective.
27. In the United Nations development sector it was important to provide clear support for national execution, but even more so to help Governments build national capacity. China welcomed document DP/1991/23 but considered that the application of national execution should be in line with the specific conditions of the cooperation concerned, as should the speed of development and method of implementation. His delegation recalled that programme implementation and project implementation were not the same thing, the former being more complicated. From the standpoint of recipient countries, it was more important to do well at the project level - hence the importance of national execution. The document on national execution contained many positive suggestions, and China hoped that UNDP and the agencies would move ahead quickly to draw up a work plan based on those proposals, so as to help recipient countries enhance their capacity for national execution and, especially, for implementation.
28. Mr. SAHLMANN (Germany) said that national execution should be the ultimate modality for all development cooperation, that is, that recipient Governments or non-governmental organizations (NGOs) should manage the execution of projects and programmes. He agreed with the representative of Uganda that the UNDP secretariat should provide clear guidelines for national execution and indicate who would be responsible for the monitoring and evaluation of projects and programmes.
29. His delegation regretted that national execution had stagnated or even regressed during the fourth cycle and hoped that in the coming years it would serve to strengthen national capacities while giving the agencies of the United Nations system a chance to show their sectoral excellence.

30. Mr. SAHA (India) said that his delegation was disappointed with the substance of the proposals contained in the report on national execution (DP/1991/23). The Council's commitment to national execution was unambiguous and, in its decision 90/21, it had recognized recipient Governments' responsibility to determine the modality and manner of execution.

31. The report set forth the principles underlying the Administrator's proposals on national execution, but treated them unequally. His delegation felt that any attempt to link progress on national execution with implementation of the so-called programme approach, on which members of the Council clearly did not agree, could effectively stifle the modality of national execution. The manner and pace of development of the programme approach must be left to recipient countries. Similarly, the degree of agency involvement must be decided by the Government concerned, in consultation with the resident representative. He reminded the Council that national execution had never been intended to assure the agencies of a substantial role in all UNDP-funded activities. The report, however, seemed more concerned with agency involvement than with promoting the capacities of recipient countries.

32. India had hoped that the report would address simplification of programme and project procedures, ways of adapting those procedures to the procedures of recipient Governments in accordance with General Assembly resolution 44/211, strengthening of field offices, speeding the shift of United Nations agencies away from project operations and administrative support towards the provision of analytical and technical advice, and other measures to assist recipient countries' efforts to strengthen national capacity. Decentralization should also have been addressed, including the question of substantially increasing the project approval authority of resident representatives, the redefinition of the role of country offices, and the composition and range of skills available in the field. The intention of paragraph 4 of decision 90/21 had been to help create an enabling environment for national execution. His delegation feared that the proposals, if accepted, might instead set back the growth of that modality.

33. The use of add-on funds by countries executing projects nationally was surprisingly low. It would appear that, had recipient countries been made more aware of their add-on entitlements, there might have been a greater number of nationally executed projects.

34. To sum up, his delegation felt that the Administrator's report would have the effect, perhaps unwittingly, of continuing agency involvement in nationally executed projects, not only for technical backstopping but also for administrative and operational support, in which it was generally agreed they did not have a comparative advantage. India believed, therefore, that it would be a step backwards for the Council to adopt decisions based on the report's proposals.

35. Mr. MAKOETJE (Observer for Lesotho) said that his Government was committed to promoting the use of national execution. His country's experience had shown that progress was impeded when programmes intended to build national capacities and promote self-reliance were not centred on national execution. To demonstrate its belief in that modality, his Government planned to hold a series of seminars and workshops, in cooperation with the resident representative, to familiarize nationals with the concept of national execution.

36. The specialized agencies of the United Nations system continued to play an important role in the execution of UNDP-supported programmes. Despite the concerns expressed by the executive heads of some of the agencies, his delegation did not believe that the agencies had been marginalized. In the current international climate of political and economic change, it was more important than ever for the Government and the private sector of recipient countries, the United Nations specialized agencies and UNDP to engage in a dialogue on strategies for enhancing the effectiveness of all parties involved in national execution.

37. In view of the importance of national accountability, Lesotho's Ministry of Planning, which coordinated, monitored and evaluated all external assistance, had recently undergone a major restructuring to improve its efficiency, for which UNDP had provided welcome assistance. The Office of the Auditor-General was responsible for financial accountability, although its limited capacity required it to make increasing use of private sector subcontracts for audits of Government departments.

38. Although recipient countries and their Governments remained fully responsible for promoting the use of national execution, their efforts would have little impact unless they were matched by similar efforts by all the parties involved. He hoped that the specialized agencies would take a more positive view of the changes in technical cooperation, that they would participate fully in implementing the national execution modality and that any differences would be addressed jointly by all participants in development.

39. Mr. VERONELLI (Venezuela) said that, in its cooperation with UNDP, his Government had increasingly executed projects directly, thereby facilitating State action to support economic recovery and manage services and social programmes. That process had helped Venezuela to use its national capacity to the full, while the UNDP country office had played an important role in strengthening Venezuela's national institutions. His delegation saw a need to assess administrative procedures fully, however, and to create an agreed set of rules for national execution, especially with respect to evaluation, monitoring and reporting.

40. Mr. Kramer (Canada), Vice-President, took the Chair.

41. Mr. ROHNER (Switzerland) said that his delegation supported the general approach taken to national execution, but would not like the process to be hurried. UNDP's main objective must continue to be to make the most effective and sustainable contribution to the development of recipient countries through country programmes.

42. There still seemed to be some difficulty in making the distinction between national execution and national implementation; he hoped there would be a common understanding of the concept of national execution by the end of the session. Even if all projects came to be nationally executed, his delegation hoped that there would be no change in the responsibility of resident representatives to make sure that UNDP resources were used in the most effective manner. His delegation also wished to know whether national execution would always mean Government execution or whether non-governmental organizations would also be involved. With respect to implementation, his delegation hoped that the mix of modalities chosen would take into account the purpose of a given project or subprogramme.

43. The application of the whole concept of national execution must be country-specific and take into account local capacities. His delegation would like to see real and not artificial national implementation; it was therefore sceptical of UNDP plans to establish local units for the national execution of projects, since the aim was to strengthen self-reliance, not to prolong external dependence by other means.

44. Mr. ALIKHAN (World Intellectual Property Organization), speaking also on behalf of some of the smaller technical agencies attending the meeting, said that the agencies' project planning was carried out in very close coordination with national counterparts in the countries concerned, with the ultimate aim of promoting self-reliance. Recipient countries were thus closely associated in all phases of project planning and execution. Particular emphasis was placed on the progressive building of national capacities with the overall objective of developing national human resources. In fact, many projects were, increasingly, being executed nationally or in close coordination with the national offices concerned. The smaller, highly technical agencies promoted inter-operability and standardization, particularly in such fields as intellectual property, meteorology, hydrology, maritime safety, aviation operations and telecommunications.

45. The President resumed the Chair.

46. Mr. EDGREN (Assistant Administrator, Director of the Bureau for Programme Policy and Evaluation), responding to points raised in the discussion, said that he welcomed the positive contribution made by the United Nations agencies at the previous meeting. UNDP would continue to consult with them as it developed the various concepts and measures relating to national execution. It was gratifying to note the general endorsement of a framework permitting full implementation of a sensible and gradual national execution policy. National execution was a broad concept embodying full Government management at

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(Mr. Edgren)

all stages, with clear accountability for effective use of resources. In that connection, he pointed out that the specialized agencies would not play any supervisory role with regard to Government accountability. Nevertheless, the technical expertise of the agencies might have to be drawn upon in order to carry out evaluations.

47. The number of nationally executed projects among the projects evaluated had tripled in 1990. The endorsement by the United Kingdom of the definition of national execution proposed by the Administrator in June 1990 had greatly facilitated implementation of the overall framework, and it was gratifying to note the widespread support for the policy recommendations that had been made. He had taken note of the very useful suggestions made by the United States representative concerning capacity-building, particularly in areas related to national development management capacities. All those comments would be taken into account in preparing the necessary guidelines.

48. With regard to the slow rate of progress in promoting national execution, there was no point in trying to find a scapegoat. All the parties involved had too often chosen the easier way out instead of national execution, which was more laborious. A number of delegations had suggested that field office execution was masquerading as national execution. He stressed that execution by field offices or, in some cases, by the Office for Project Services (OPS) was not part of national execution. UNDP's future role must be one of programme development and coordination. The role of the agencies was evolving from mere administration to technical support, programme development and advisory work. Lastly, the guidelines for administrative and operational services would be developed as soon as the policy framework had been approved by the Governing Council.

49. The PRESIDENT said that, if he heard no objection, he would take it that the Council agreed that the Drafting Group should begin to prepare a draft decision of the question of national execution.

50. It was so decided.

#### PROGRAMME PLANNING (continued)

(b) PREPARATIONS FOR THE FIFTH PROGRAMMING CYCLE, INCLUDING FUNDING STRATEGY (DP/1991/24, 59 and 64 and Add.1)

51. Mr. TAL (Director, UNDP Planning and Coordination Office) said that the report of the Administrator on preparations for the fifth programming cycle (DP/1991/24) dealt with distinct areas of Governing Council decision 90/34. Section I related to paragraph 39 of that decision, which requested a report on the outcome of the Administrator's consultations with the United Nations agencies and his analysis of cost implications of introducing Special Drawing Rights (SDR) as the central unit of account. The Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) had

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(Mr. Tal)

reviewed the potential advantages and possible drawbacks and costs of introducing SDR as the unit of account. It had concluded that the introduction of SDR would increase the complexity of existing financial and administrative procedures, with only marginal benefits in terms of financial predictability and stability. The preliminary estimate by UNDP of its own costs should such a change be introduced ranged from \$4.2 million to \$6.3 million, and it could be assumed that the change-over would entail equally significant costs for the other agencies of the United Nations system. The Committee's conclusion, supported by UNDP, was that the costs far outweighed any potential benefits and, therefore, that the idea should not be pursued at the present time.

52. Section II of the report dealt with paragraph 34 of Council decision 90/34, concerning net contributor arrangements in the fifth cycle. According to the methodology applied in the fourth cycle, net contributor countries were countries with a per capita GNP above \$3,000 and island developing countries with a per capita GNP above \$4,200. The issue of providing IPFs for those countries during the fifth cycle had been left open, pending a review at the thirty-eighth session. In the meantime, resources had been reserved for those countries on the basis of the standard IPF methodology, but without the benefit of any floor supplement. The report outlined a set of options and criteria for the consideration of that difficult issue and the proposals in paragraphs 5 and 6 provided a reasonable compromise between maintaining the status quo and eliminating those IPFs.

53. Certain principles were central to a discussion of net contributor arrangements. The graduation of countries from the ranks of net recipients was an established policy, but that principle had given rise to difficulties, as the net contributor provisions in the fourth cycle had demonstrated. Problems arising from the implementation of those provisions had been brought to the attention of the Council on several occasions during the fourth cycle, as they had proved to be both complex and contentious.

54. Section III of the report raised some basic questions about the sixth programming cycle and the allocation of resources. Paragraph 35 of Council decision 90/34 requested the Administrator to make proposals for revising the weight coefficients for population and per capita GNP. The conclusion had been reached that adjusting the IPF system had become highly problematic, owing mainly to the growing complexity of the distribution criteria and the inherent constraints of the system. The report demonstrated that, while it was possible to effect changes in the IPF system, those changes required coercive manipulation of the methodology. It also argued that the system was rather ineffectual in responding to new and changing priorities. Furthermore, many of those new developments and priorities were altering the landscape of technical cooperation, which was already having a profound effect on the allocation of resources. For instance, the impact of expanding the group of least developed countries (LDCs) must be reviewed in the context of current and future resource distribution principles, in the context of present-day

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LDCs, and in the context of low-income non-LDCs. Those and other issues addressed in the report illustrated the limitations inherent in the IPF system and argued for a more thorough review of the methodology and allocation principles.

55. Simply put, the IPF system had become complicated and did not respond well to an increasingly dynamic technical cooperation environment. The report therefore proposed a comprehensive review by the Council and raised several issues for initiating a dialogue. Since consultations were more likely to be productive without the pressure of impending deadlines, UNDP was proposing the preparation of a conceptual paper on resource utilization in the sixth cycle for the thirty-ninth session of the Council.

56. The report of the Administrator on the funding strategy for the United Nations Development Programme (DP/1991/59) responded to the request addressed to the Administrator in Council decision 90/14 to report separately to the Council on the implementation of that decision. The report covered the various components of the UNDP funding strategy. It was expected that improving the Programme's performance with regard to all those components would heighten its impact and visibility and encourage countries to increase their voluntary contributions, making it possible to achieve the level of resources foreseen in Council decision 90/34 and paving the way for a steady increase into the sixth cycle.

57. Mrs. DUDIK GAYOSO (United States of America) asked which countries had achieved net contributor status in the fourth cycle and which countries had still to fulfil their pledges.

58. Mr. EDGREN (Assistant Administrator, Director of the Bureau for Programme Policy and Evaluation) said that document DP/1991/64, entitled "Special Programme Resources: Overview and programming documents", explained the overall strategic purpose for which the Special Programme Resources (SPR) would be used, how they would play a catalytic role in mobilizing other resources for national capacity-building and what administrative measures had been developed to maximize the impact of SPR at the field level, in accordance with Governing Council decision 91/3. In view of the need for SPR support for the development of fifth cycle country programmes, the Governing Council had been provided with the information it needed to reach a decision on the commitment of resources to 23 of the 26 subprogrammes listed in decision 91/3. That information, contained in document DP/1991/CRP.1, was summarized in document DP/1991/64/Add.1. Programme documents for the remaining three subcategories (Social Dimensions of Adjustment, Transfer and Adaptation of Technology for Development and Technical Cooperation among Developing Countries) would be presented to the Governing Council's February 1992 session.

59. In response to requests from a number of Governments for support for activities to incorporate UNDP advocacy themes into the new country programmes, the Administrator was proposing that advance resources should be

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made available immediately, particularly for country programming initiatives and for new areas of activity for which no fourth cycle SPR had been allocated.

60. Mr. TAL (Director, UNDP Planning and Coordination Office), replying to the questions raised by the United States representative, said that in the fourth cycle Saudi Arabia had met the conditions for becoming a net contributor. A number of other countries had not yet entirely fulfilled the requirements in that regard. Those requirements related to the reimbursement of not only IPFs but also agency support costs and local office costs. Two countries which had originally been on the list of net contributors had been exempted by the Council as a result of changed conditions in those countries. A table would be made available showing the status of contributions, payments and IPF expenditures for each country.

61. Mr. AL-BATTASHI (Observer for Oman) said that UNDP, as one of the most important agencies providing assistance to developing countries, must be flexible in its policies and ensure that all developing countries benefited from its technical assistance. His country had, thanks to its own efforts and to cooperation from friendly countries and UNDP, made great strides in developing its infrastructure. Nevertheless, it still faced a number of daunting challenges and obstacles if it was to diversify its sources of national income. In particular, the country's difficult geography, shortage of trained manpower and reliance on expatriate workers, lack of raw materials and reliance on oil, the price of which had fallen sharply in recent years, had adversely affected development efforts.

62. His Government had only grudgingly accepted Governing Council decision 85/16, which it continued to see as contrary to the spirit of General Assembly resolution 2688 (XXV). It believed that to link the amount of a State's contribution to the amount it received from UNDP was incompatible with the Programme's objectives, reducing the development process to a purely commercial exercise. His delegation was pleased that document DP/1991/24 advocated the consideration of criteria other than per capita gross national product alone for the determination of net contributor status and hoped that the report would make a positive contribution to a final solution of that issue. However, the decision suggested in the report would not in fact change the situation, since UNDP proposed to issue IPFs to the countries concerned only to the extent that they had fulfilled their net contributor obligations in the fourth cycle. If that decision were to be adopted, his country's financial obligations to UNDP would be three times greater than what it received from the Programme. It would therefore be obliged to consider the extent to which UNDP technical assistance during the fifth cycle was of benefit and to take the corresponding measures.

63. Mr. MUTHANA (Observer for Yemen) said that his country, a product of the unification of two former Member States, was an LDC facing economic difficulties which could not be solved by the Government on its own. UNDP played a vital role in alleviating its burdens. Although there had been an

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(Mr. Muthana, Observer, Yemen)

increase in the resources allocated to his country during the fourth cycle, the challenges it currently faced were infinitely greater. It was therefore surprising that the principle whereby the resources allocated to the country after unification should be no less than those committed to its two constituent parts during the fourth cycle had not been put into practice. It had been his Government's understanding that UNDP would in fact incorporate an additional percentage to cover the extra burdens assumed in merging the two administrative structures, as well as those arising as a result of the Gulf crisis.

64. His country had also hoped to see at least some reference, in the documentation before the Council, to Council decision 90/3, which confirmed the request in Council decision 89/37 for additional assistance to his country. He trusted that members of the Governing Council would show appropriate understanding of his country's unique situation.

65. Mr. AL-FAIHANI (Observer for Bahrain) said that his delegation had already spoken on the subject of net contributor status and the costs of field offices and looked forward to a realistic and far-sighted solution of those issues. It wished to emphasize the importance of the bilateral agreements between host countries and UNDP, the principle of the universality of UNDP assistance and the need to separate the concept of net contributor status from the costs of field offices. It also hoped that the Council would take due account of the short- and long-term economic, social and political consequences of the Gulf crisis. A successful conclusion of the current discussions would help to strengthen UNDP's role by maintaining offices which served as a link not only with the Programme but with all the agencies of the United Nations system.

66. Mr. NANDOE (Observer for Suriname) noted that the issue of using multiple criteria to determine net contributor status was addressed in document DP/1991/24 on preparations for the fifth programming cycle. The case of Suriname had been used as an example of how a small increase in per capita GNP could completely stop the net flow of UNDP resources to a country. However, he disagreed with the figures cited for his country, namely a 9 per cent increase in per capita GNP from \$2,770 in 1983 to \$3,020 in 1989. In 1990 and early 1991, the situation in Suriname had changed significantly.

67. Given Suriname's current economic difficulties, his delegation was seriously concerned about the proposal to place Suriname in the net contributor category. That proposal was based on Suriname's per capita income, which in no way reflected its real economic situation.

68. Declining revenues from Suriname's most important export commodities and the suspension of development agreements by major donors had caused a decline in the country's foreign reserves, so that it could not import all of its basic needs. Furthermore, Suriname was in the process of setting up a new Government, which had been freely and fairly chosen in May 1991 through

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internationally monitored elections. The new Government had yet to present its programme on economic adjustment measures. He therefore urged the Governing Council to defer its decision on Suriname's net contributor status until the new Government had had the opportunity to discuss the calculation of GNP with institutions concerned.

69. Mr. MOULTRIE (Observer for the Bahamas) said that the Governing Council's decisions on the fifth programming cycle, agency support costs and national execution would help ensure that United Nations technical cooperation achieved the objectives of General Assembly resolution 44/211.

70. Although the Bahamas had successfully developed certain sectors of its economy, the Governing Council's decision to categorize the Bahamas as ineligible for non-reimbursable technical assistance could seriously undermine those advances. His country had long maintained that per capita GNP was an inadequate measure of a country's development. He therefore welcomed the new practice of considering other criteria in determining eligibility, and believed that more emphasis should be placed on those criteria.

71. The concentration of wealthy expatriates residing in the Bahamas was the primary reason for the country's high per capita GNP. If the incomes of that segment of the population were excluded, per capita GNP in the Bahamas would be comparable to that of many developing countries. The Bahamian economy's heavy reliance on tourism, banking and financial services necessitated the employment of a high percentage of foreign labour, whose income levels were disproportionate to the general level of income in the country.

72. The limited resources of the Bahamas, coupled with the cost and difficulty of providing services to its widely scattered islands, caused considerable administrative and development problems. Since the infrastructure development necessary to attract foreign and local investment must be replicated many times over on the various islands, the country was forced to deplete its foreign exchange base through external borrowing to fund such development. Moreover, the nature of the tourist industry was such that the outflow of capital expended for the goods and services it required exceeded the inflow of foreign capital from tourists. Despite the implementation of several major agro-industrial projects, the Bahamas still imported almost all of its food and consumer goods, with no possibility of complete import substitution in the foreseeable future. The Bahamian economy was therefore very vulnerable to the vagaries of the external economic environment.

73. Those facts demonstrated that the per capita GNP of the Bahamas did not paint a true picture of its level of development. He urged the Governing Council to take those considerations duly into account and to recognize that many underdeveloped islands in the Bahamas were greatly in need of development assistance. Economic diversification was a priority in that respect, and would require technical assistance. Migration to the country's capital

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(Mr. Moultrie, Observer, the Bahamas)

because of unevenly distributed economic growth and development in the various islands also created problems, both by straining the absorptive capacity of the capital's economy and by depriving the more remote islands of essential human resources. In that regard, he supported the proposal of the United Nations Population Fund (UNFPA) to support a comprehensive \$6 million population programme to work towards the population and development objectives of the English-speaking countries and territories of the Caribbean.

74. The solution of the country's problems must emphasize human development. The expansion of human capacities and skills must keep pace with capital investment. The key elements of the human-centred approach included strengthening human capabilities through better nutrition, primary health care and education and training; creating institutional infrastructures for the development and utilization of human skills, initiative and enterprise; and ensuring the full participation of the people in the development process. UNDP technical cooperation played a critical role in such endeavours.

75. In view of those considerations, the Bahamas was in no position to graduate to donor country status. It should not be punished for having achieved some measure of success, especially since much remained to be done. His Government was not requesting restoration of the country's original status, only a reasonable increase in its proposed annual allocation for the fifth cycle. That cycle should be a transitional stage in which progressive cut-backs would allow the Bahamas to absorb the economic shocks attendant upon graduation, thereby ensuring that it was not compelled to return to reimbursable status by an erosion of the progress it had made to date.

The meeting rose at 6.05 p.m.